

School Year 2022-2023 Excess Balance Overview

Frequently Asked Questions

1. Will the excess balance be from the 2022–2023 school year end, or will it consider current standing which is 6 months later?

The regulatory guidance is listed below. When preparing your excess balance plan, include the expenditures from the end of the fiscal year. Virginia follows the federal guidance for the three-month expenditure requirement.

[7 CFR 210.14(b)](https://www.ecfr.gov/current/title-7/subtitle-B/chapter-II/subchapter-A/part-210/subpart-C/section-210.14) states “the school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with [§ 210.19(a)](https://www.ecfr.gov/current/title-7/section-210.19#p-210.19(a)).” The excess balance is calculated as of June 30, 2023, the end of school year 2022–2023.

1. How are 3 months average expenditures calculated?

Per [7 CFR 210.14(b)](https://www.ecfr.gov/current/title-7/subtitle-B/chapter-II/subchapter-A/part-210/subpart-C/section-210.14), the three-month average is calculated based on net cash resources. The Virginia Department of Education, Office of School and Community Nutrition Programs (VDOE-SCNP) financial report includes the National School Lunch Program (NSLP), School Breakfast Program (SBP), Seamless Summer Option (SSO), and the Summer Food Service Program (SFSP) claims.

The average monthly expenditures calculation includes the total expenditures for the fiscal year and divides this total by the number of operating months. The number of months operating balance includes the net cash amount divided by the average monthly expenditures for the year. The average monthly expenditures are then multiplied by three to get the allowable fund balance that the SFA may carry over. The net cash amount minus the allowable fund balance (the calculated three months operating expenses) equals the SFAs excess balance.

1. My division is still making purchases from our previously approved Corrective Action Plan from last school year. Do we need to resubmit the same information in this year's plan since all funds do not have to be spent down in one year?

Yes, any purchases approved in a previous excess plan that have not been spent should be detailed in the new excess balance plan.

1. Please provide guidance on completing the plan for expenditures already incurred in SY23–24.

The school food authority (SFA) should document on the excess balance plan spreadsheet any additional expenses they have incurred for school year 2023–2024 including equipment purchases, additional food and supply costs, salaries, etc. Expenses already budgeted and part of the normal school nutrition program should not be included. The purpose of the excess balance plan is to note how the excess revenue will be spent. Slide 9 provides a specific example of how to document school year 2023–2024 expenses in the excess balance plan.

1. Please provide a link to the policy/law in 7 CFR 210.14(a) concerning sales and disposal from food service equipment?

SFAs must observe the limitation on the use of the nonprofit school food service account revenues set forth in [7 CFR 210.14](https://www.ecfr.gov/current/title-7/subtitle-B/chapter-II/subchapter-A/part-210/subpart-C/section-210.14) and ensure related costs are necessary, reasonable, and allowable. Further information provided in [2 CFR 200.311(c)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR8feb98c2e3e5ad2/section-200.311) and [2 CFR 200.313(b)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200) states that revenue from the sale or disposal of equipment must accrue to the school nutrition department.

1. Do repairs to equipment need to be pre-approved?

There is no prior approval needed for maintenance or repair. However, [7 CFR 210.14(a)](https://www.ecfr.gov/current/title-7/subtitle-B/chapter-II/subchapter-A/part-210/subpart-C/section-210.14) and [7 CFR 220.7(e)](https://www.ecfr.gov/current/title-7/section-220.7) require that revenue received by the nonprofit school food service account is only to be used for the operation and improvement of the food program and such revenue shall not be used to purchase land or buildings or to construct buildings.Additionally, costs associated with remediation or repair to a school building (i.e. plumbing, heating, air conditioning) would add to the permanent value of the school building and are therefore unallowable.

1. I was told that the state of California allowed six months of operating revenue. If true, why is there this difference?

[7 CFR 210.14(b)](https://www.ecfr.gov/current/title-7/section-210.14) requires SFAs to limit their net cash resources in its nonprofit school food service account to no more than three months average expenditures. The SFA is determined to be out of compliance if the fund balance as of June 30 is in excess of three months' average expenditures. The VDOE-SCNP determines excess balance by reviewing the annual state financial report. SFAs with an excess of three months operating balance must develop a corrective action plan, called the excess balance plan.